

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

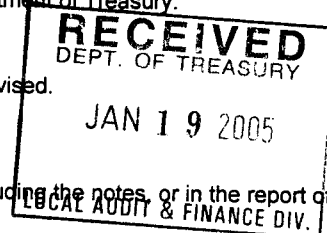
Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Chippewa Martiny Fire Department	County Mecosta
Audit Date 3/31/04	Opinion Date 12/29/04	Date Accountant Report Submitted to State: 1/12/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations



You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Baird, Cotter & Bishop, P.C.			
Street Address 134 W. Harris Street	City Cadillac	State MI	ZIP 49601
Accountant Signature 		Date 1-10-05	

CHIPPEWA MARTINY FIRE DEPARTMENT
RODNEY, MICHIGAN

MARCH 31, 2004

TABLE OF CONTENTS

	<u>EXHIBIT</u>	<u>PAGES</u>
Independent Auditors' Report		1
 <u>GENERAL-PURPOSE FINANCIAL STATEMENTS</u>		
Combined Statement of Assets and Liabilities Arising from Cash Transactions - All Fund Types and Account Group	A	2
Statement of Cash Receipts, Disbursements and Changes in Balance - Governmental Fund Type - General Fund	B	3-4
Statement of Cash Receipts, Disbursements and Changes in Balance - Budget and Actual - Governmental Fund Type - General Fund	C	5-6
Notes to Financial Statements	D	7-10
 <u>SUPPLEMENTAL FINANCIAL INFORMATION</u>		
	<u>STATEMENT</u>	
Statement of Changes in General Fixed Assets	1	11
Letter of Comments and Recommendations		12-13
Letter of Reportable Conditions		14

Baird, Cotter and Bishop, P.C.

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CERTIFIED PUBLIC ACCOUNTANTS

December 29, 2004

INDEPENDENT AUDITORS' REPORT

To the Fire Board
Chippewa Martiny Fire Department
Rodney, Michigan

We have audited the accompanying general-purpose financial statements of the Chippewa Martiny Fire Department, Rodney, Michigan, as of and for the year ended March 31, 2004, as listed in the table of contents. The general-purpose financial statements are the responsibility of the Fire Department. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note I.B, the Fire Department's policy is to prepare its general-purpose financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the general-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the cash balances of the Chippewa Martiny Fire Department, Rodney, Michigan, at March 31, 2004, and the cash receipts it received and cash disbursements it paid and changes in general fixed assets for the year then ended on the basis of accounting described in Note I.B.

Our audit was conducted for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The accompanying financial information listed as "Supplemental Financial Information" in the table of contents is presented for purposes of additional analysis and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements, and in our opinion, is fairly stated in all material respects in relation to the general-purpose financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter and Bishop, P.C.

CHIPPEWA MARTINY FIRE DEPARTMENT
RODNEY, MICHIGAN

COMBINED STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS
ALL FUND TYPES AND ACCOUNT GROUP

MARCH 31, 2004

	GOVERNMENTAL FUND TYPE	ACCOUNT GROUP	TOTALS (MEMORANDUM ONLY)
	GENERAL	GENERAL FIXED ASSETS	
<u>ASSETS</u>			
Cash			
Commercial Account	\$ 30,414	\$ 0	\$ 30,414
Land and Buildings	0	60,000	60,000
Furniture, Fire Equipment and Vehicles	0	432,990	432,990
TOTAL ASSETS	\$ 30,414	\$ 492,990	\$ 523,404
<u>EQUITY</u>			
Investment in General Fixed Assets	\$ 0	\$ 492,990	\$ 492,990
Balance	30,414	0	30,414
TOTAL EQUITY	\$ 30,414	\$ 492,990	\$ 523,404

The accompanying notes are an integral part of these financial statements.

CHIPPEWA MARTINY FIRE DEPARTMENT
RODNEY, MICHIGAN

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCE
GOVERNMENTAL FUND TYPE
GENERAL FUND

FOR THE YEAR ENDED MARCH 31, 2004

RECEIPTS

Aid from Other Governmental Units

Chippewa Township

\$ 33,900

Martiny Township

33,900

Charges for Services

Fire Run Fees

2,915

Interest and Rents

Interest Earnings

95

Other Receipts

Miscellaneous

1,253

Total Receipts

\$ 72,063

DISBURSEMENTS

Public Safety

Personal Services

Wages

Fire Chief

\$ 2,840

Officers

1,260

Clerk

Firemen

12,235

Supplies

Gas and Oil

Operating Supplies

536

Other Services and Charges

1,575

Snow Removal

Medical Services

200

Printing and Publishing

809

Repairs and Maintenance

251

Building

Equipment

4,910

Public Utilities

2,645

Telephone

2,566

Professional Services

637

135

CHIPPEWA MARTINY FIRE DEPARTMENT
RODNEY, MICHIGAN

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCE
GOVERNMENTAL FUND TYPE
GENERAL FUND

FOR THE YEAR ENDED MARCH 31, 2004

Travel	467
Miscellaneous - Other	1,016
Capital Outlay	
Equipment	
Other Functions	2,320
Insurance and Bonds	8,174
Social Security and Medicare	1,435
	<hr/>
Total Disbursements	\$ 46,511
Excess of Receipts Over (Under) Disbursements	\$ 25,552
<u>BALANCE</u> - April 1, 2003	<hr/> 4,862
<u>BALANCE</u> - March 31, 2004	\$ <u><u>30,414</u></u>

The accompanying notes are an integral part of these financial statements.

CHIPPEWA MARTINY FIRE DEPARTMENT
RODNEY, MICHIGAN

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCE
BUDGET AND ACTUAL
GOVERNMENTAL FUND TYPE - GENERAL FUND

FOR THE YEAR ENDED MARCH 31, 2004

	BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
<u>RECEIPTS</u>			
Aid from Other Governmental Units			
Chippewa Township	\$ 33,900	\$ 33,900	\$ 0
Martiny Township	33,900	33,900	0
Charges for Services			
Fire Run Fees	0	2,915	2,915
Interest and Rents			
Interest Earnings	100	95	(5)
Other Receipts			
Miscellaneous	100	1,253	1,153
Total Receipts	\$ 68,000	\$ 72,063	\$ 4,063
<u>DISBURSEMENTS</u>			
Public Safety			
Personal Services			
Wages			
Fire Chief	\$ 2,840	\$ 2,840	\$ 0
Officers	1,260	1,260	0
Clerk	2,500	2,500	0
Firemen	14,000	12,235	1,765
Supplies			
Gas and Oil	800	536	264
Operating Supplies	1,800	1,575	225
Other Services and Charges			
Education	800	0	800
Snow Removal	300	200	100
Medical Services	1,700	809	891
Printing and Publishing	300	251	49
Repairs and Maintenance			
Building	5,000	4,910	90
Equipment	6,000	2,645	3,355
Public Utilities	2,800	2,566	234
Telephone	800	637	163
Professional Services	800	135	665

CHIPPEWA MARTINY FIRE DEPARTMENT
RODNEY, MICHIGAN

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCE
BUDGET AND ACTUAL

GOVERNMENTAL FUND TYPE - GENERAL FUND

FOR THE YEAR ENDED MARCH 31, 2004

	BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
Travel	1,000	467	533
Miscellaneous - Other	1,000	1,016	(16)
Capital Outlay			
Equipment	13,100	2,320	10,780
Other Functions			
Insurance and Bonds	8,200	8,174	26
Social Security and Medicare	3,000	1,435	1,565
Total Disbursements	\$ 68,000	\$ 46,511	\$ 21,489
Excess of Receipts Over (Under) Disbursements	\$ 0	\$ 25,552	\$ 25,552
<u>BALANCE</u> - April 1, 2003	4,818	4,862	44
<u>BALANCE</u> - March 31, 2004	\$ 4,818	\$ 30,414	\$ 25,596

The accompanying notes are an integral part of these financial statements.

CHIPPEWA MARTINY FIRE DEPARTMENT
RODNEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Chippewa Martiny Fire Department is a joint venture volunteer fire department supported by Chippewa and Martiny Townships. Under the criteria established by generally accepted accounting principles, the Fire Department has determined that there are no component units which should be included in its reporting entity.

B. Measurement Focus, Basis of Accounting and Basis of Presentation

The accounts of the Fire Department are organized on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds. The Fire Department has no long-term debts which would be recorded in the general long-term debt account group.

The Fire Department has the following fund type and account group:

Governmental funds are used to account for the Fire Department's general government activities. The Fire Department uses the flow of economic resources measurement focus and the modified cash basis of accounting for this fund which is an other comprehensive basis of accounting (OCBOA). Under the modified cash basis of accounting, revenues are recognized when collected (i.e., when cash is received). Expenditures are recorded when cash is disbursed.

Governmental funds include the following fund type:

The General Fund is the Fire Department's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Account Group. The General Fixed Asset Account Group is used to account for fixed assets of the Fire Department.

C. Assets, Liabilities and Equity

1. Deposits and Investments

The Fire Department's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities or three months or less from date of acquisition.

CHIPPEWA MARTINY FIRE DEPARTMENT
RODNEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

The investment policy adopted by the Fire Department states that the fire clerk may invest fire department funds in certificates of deposit, savings accounts, deposit accounts or depository receipts of a bank but only if the bank, savings and loan association, or credit union meet all criteria as a depository of public funds contained in state law. The standard of prudence to be used shall be the "fiduciary" standard and shall be applied in managing an overall portfolio.

2. Fixed Assets

Fixed assets used in governmental fund types (general fixed assets) are accounted for in the General Fixed Assets Account Group at cost or estimated historical cost if purchased or constructed. Donated fixed assets are recorded at their estimated fair value at the date of donation. Assets in the general fixed assets account group are not depreciated. Interest incurred during construction is not capitalized.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not included in the general fixed assets account group.

3. Memorandum Only - Total Columns

Total columns on the general-purpose financial statements are captioned "Memorandum Only" because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations or cash flows in accordance with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data.

4. Use of Estimates

This presentation of financial statements on the modified cash basis of accounting requires the Fire Department to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of receipts and disbursements during the reporting period. Actual results could differ from those estimates.

CHIPPEWA MARTINY FIRE DEPARTMENT
RODNEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The annual budget is adopted on the modified cash basis in accordance with the requirements of Michigan Public Act 621 of 1978 "The Uniform Budgeting and Accounting Act". A public hearing is held to obtain public comments. Appropriations lapse at year end. Budgeted amounts presented are as originally adopted on March 17, 2003, or as amended by the Fire Department Board from time to time throughout the year.

The appropriated budget is prepared by activity. The Fire Department Board exercises budgetary control over expenditures.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Fire Department because it is not, at present, considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

At year-end, the carrying amount of the Fire Department's deposits was \$30,414 and the bank balance was \$30,632, all of which was covered by Federal Depository Insurance. All deposits are in the Independent Bank West, Big Rapids, Michigan.

B. Fixed Assets

Activity in the general fixed assets account group for the Fire Department for the year ended March 31, 2004, was as follow:

	BALANCE 04/01/03	ADDITIONS	DELETIONS	BALANCE 03/31/04
Land and Buildings	\$ 60,000	\$ 0	\$ 0	\$ 60,000
Furniture, Fire Equipment and Vehicles	496,670	2,320	66,000	432,990
TOTAL	\$ 556,670	\$ 2,320	\$ 66,000	\$ 492,990

CHIPPEWA MARTINY FIRE DEPARTMENT
RODNEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

IV. OTHER INFORMATION

A. Interest Income and Expense

For the year ended March 31, 2004, interest income on deposits and investments and interest expense is summarized as follows:

	INTEREST	
	INCOME	EXPENSE
General Fund	\$ 95	\$ 0

B. Risk Management

The government is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; natural disasters, and worker's compensation claims. The government carries commercial insurance to guard against loss from these risks.

CHIPPEWA MARTINY FIRE DEPARTMENT
RODNEY, MICHIGAN

STATEMENT OF CHANGES IN GENERAL FIXED ASSETS
FOR THE YEAR ENDED MARCH 31, 2004

	BALANCE 04/01/03	ADDITIONS	DELETIONS	BALANCE 03/31/04
<u>GENERAL FIXED ASSETS</u>				
Land and Buildings	\$ 60,000	\$ 0	\$ 0	\$ 60,000
Furniture, Fire Equipment and Vehicles	496,670	2,320	66,000	432,990
	<u>\$ 556,670</u>	<u>\$ 2,320</u>	<u>\$ 66,000</u>	<u>\$ 492,990</u>
<u>INVESTMENT IN GENERAL FIXED ASSETS</u>				
	<u>\$ 556,670</u>	<u>\$ 2,320</u>	<u>\$ 66,000</u>	<u>\$ 492,990</u>

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

December 29, 2004

LETTER OF COMMENTS AND RECOMMENDATIONS

To the Fire Board
Chippewa Martiny Fire Department
Rodney, Michigan

As a result of our audit of the general-purpose financial statements of the Chippewa Martiny Fire Department for the year ended March 31, 2004, we would like to take this opportunity to comment on the following items relative to the management and accounting procedures of the Fire Department.

Reportable Condition in Internal Controls

In planning and performing our audit of the general-purpose financial statements of the Chippewa Martiny Fire Department for the year ended March 31, 2004, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the general-purpose financial statements.

Certain matters considered to be reportable conditions in internal controls were noted. We are issuing a separate letter (letter of reportable conditions) which addresses those items noted.

Act 621 (Uniform Budgeting and Accounting Act)

The Fire Department is doing an excellent job of complying with Act 621 of the Public Acts of 1978, *The Uniform Budgeting and Accounting Act*.

GASB 34

The Governmental Accounting Standards Board has issued a new pronouncement that will dramatically change the way governmental entities report their financial information. For the Chippewa Martiny Fire Department, GASB 34 will become effective for the year ending March 31, 2005.

Some of the changes required by GASB 34 are as follows:

- a) Management's discussion and analysis will be the first thing in a financial report. This will be the administration's narrative overview of the information contained in the financial statements.

- b) The budgetary comparison information must report the original adopted budget and the final amended budget.
- c) Capital assets and long-term liabilities will be required to be reported in the balance sheet. The depreciation on the capital assets will then be reported as an expense in the statement of revenues and expenses. With this change, the financial statements of a government entity will look similar to a for-profit business financial statements.

We are available to advise you and offer assistance on how to proceed with steps needed to meet GASB 34 requirements.

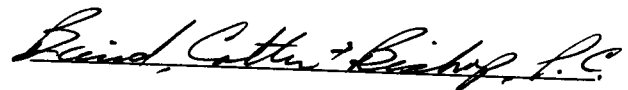
General Recordkeeping

The accounting records being maintained for the year ended March 31, 2004, were found to be in good order and in compliance with the State's uniform accounting system. We commend the clerk for her fine effort.

We would like to thank the board for awarding our firm the audit assignment and to thank the Fire Department Clerk for her fine effort.

If you have any questions relative to the above comments and recommendations or other areas of your annual accounting, please feel free to call on us.

BAIRD, COTTER AND BISHOP, P.C.



M. WAYNE BEATTIE, C.P.A.
1902 - 1990
JACK H. BAIRD, C.P.A.
JERRY L. COTTER, C.P.A.
DALE D. COTTER, C.P.A.

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Decmeber 29, 2004

LETTER OF REPORTABLE CONDITIONS

To the Fire Board
Chippewa Martiny Fire Department
Rodney, Michigan

In planning and performing our audit of the general purpose financial statements of Chippewa Martiny Fire Department, Rodney, Michigan for the year ended March 31, 2004, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control structure. However, we noted certain matters that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements.

The relatively small number of people involved in the accounting functions of the Fire Department make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that the condition described above is a material weakness.

This report is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

Very truly yours,

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.